COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INQUIRY INTO INTRALATA TOLL COMPETITION, AN APPROPRIATE COMPENSATION SCHEME FOR COMPLETION OF INTRALATA CALLS BY INTEREXCHANGE CARRIERS, AND WATS JURISDICTIONALITY	ADMINISTRATIVE CASE NO. 323 PHASE I

O R D E R

INTRODUCTION

In an Order dated May 6, 1991, the Commission required local exchange carriers to file access services tariff revisions consistent with that decision. The Commission also required local exchange carriers to file revised intraLATA[1] toll pool settlement agreements. Tariff filings and supporting price-outs were received as follows:

1. The tariff filing and price-out of Contel of Kentucky, Inc. d/b/a GTE Kentucky ("Contel").

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[1] Local Access and Transport Area.

2. The tariff filing and price-outs of Duo County Telephone Cooperative Corporation, Inc. ("Duo County Telephone").[2]

3. The tariff filing and price-out of GTE South Incorporated ("GTE South").

4. The tariff filing and price-out of South Central Bell Telephone Company ("South Central Bell"). South Central Bell also filed a revised intraLATA toll settlement agreement and memorandum of understanding on behalf of all local exchange carriers, except Cincinnati Bell Telephone Company ("Cincinnati Bell").

5. The tariff filing and price-out of Cincinnati Bell.

These tariff filings were scheduled to be effective on September 15, 1991, with an actual implementation date of October 15, 1991. On September 11, 1991, they were suspended to allow additional time for review and investigation.

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2 Although the tariff bears the name Duo County Telephone, other issuing carriers are Alltel Kentucky, Inc. ("Alltel"); Ballard Rural Telephone Cooperative Corporation, Inc.; Brandenburg Telephone Company, Inc.; Foothills Rural Telephone Cooperative Corporation, Inc.; Harold Telephone Company, Inc.; Highland Telephone Cooperative, Inc.; Leslie County Telephone Company, Inc. ("Leslie County Telephone"); Lewisport Telephone Company, Inc. ("Lewisport Telephone"); Logan Telephone Cooperative, Inc.; Mountain Rural Telephone Cooperative Corporation, Inc.; North Central Telephone Cooperative, Inc.; Peoples Rural Telephone Cooperative Corporation, Inc.; Salem Telephone Company ("Salem Telephone"); South Central Rural Telephone Cooperative Corporation, Inc.; Thacker-Grigsby Telephone Company, Inc.; and West Kentucky Telephone Cooperative Corporation, Inc. Also, Duo County Telephone filed price-outs for itself and the above issuing carriers, except Alltel, Leslie County Telephone, Lewisport Telephone, and Salem Telephone. The later price-outs were transmitted by Cathey Hutton & Associates, Inc. ("CH&A"), a telecommunications management consulting firm.

On September 18, 1991, AT&T Communications of the South Central States, Inc. ("(AT&T") filed a motion to require South Central Bell to comply with provisions of the Commission's decision of May 6, 1991. South Central Bell filed a response to AT&T's motion. No other motions or comments concerning the tariff filings have been received .

Duo County Telephone filed corrected tariff pages and revised price-outs.[3] GTE South filed corrected tariff pages on its own behalf and on behalf of Contel.

DISCUSSION

AT&T's Motion

AT&T moves the Commission to require South Central Bell to comply with the provisions of the Commission's decision of May 6, 1991, through our review of the above-listed tariff filings. Specifically, AT&T objects to a requirement in South Central Bell's tariff filing that requires interexchange carriers to report "intrastate customer billed minutes of use" for the purpose of determining non-traffic sensitive revenue requirement allocations. South Central Bell's tariff filing states:

> The monthly charge applicable to each carrier is determined through the allocation process based on intrastate terminating minutes of use. The steps required to determine this allocation are as follows.

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3 The revised price-out of August 28, 1991 was for Salem Telephone Company. The revised price-outs of October 22, 1991 were for all issuing carriers. Both filings were transmitted by CH&A.

The following quantities reported by the carrier to the Company will be utilized to compute the allocation.

M1 = terminating intrastate switched access minutes.

M2 = intrastate customer billed minutes.

P = percent interstate usage (PIU), fractional form.[4]

The tariff filing further provides that the larger of terminating switched access minutes of use and customer billed minutes of use will be used for the determination of non-traffic sensitive revenue requirement allocations, and describes the calculation of the allocations.[5]

AT&T contends that including customer billed minutes of use in the above allocation methodology is inconsistent with the Commission's decision of May 6, 1991, which stated in part:

> Conceptually, the coalition plan for non-traffic sensitive revenue management is an expansion of the ULAS[6] concept. As with ULAS, the non-traffic sensitive requirement applicable to toll services would be determined and administered uniquely for each LEC.[7] However, unlike ULAS, the coalition plan incorporates both an interLATA and intraLATA non-traffic sensitive requirement. The combined non-traffic sensitive requirement would be recovered individually by each LEC from toll service providers serving its operating area, including the intraLATA pool, resellers, and other

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4 South Central Bell, Tariff PSC Kentucky No. 2J, Non-Traffic Sensitive Revenue Requirement Recovery, Section J4, Rates and Charges, third revised page 2.

5 Id., Section J4.2.D and J4.2.E.

6 Universal Local Access Service.

7 Local Exchange Carrier.

purchasers of switched access services, based on each access user's terminating minutes of use.[8]

In Administrative Case No. 311,[9] the Commission addressed the allocation of ULAS revenue requirement to interLATA carriers based on intrastate terminating switched access minutes of use. Although considered, intrastate customer billed minutes of use were rejected as an allocator. AT&T contends that including customer billed minutes of use as a variable in the instant tariff filing is unwarranted and contrary to the purpose of making the allocator easily verifiable.[10] Furthermore, AT&T contends that the provision constitutes an attempt to "rehash" matters decided in Administrative Case No. 311 and would unnecessarily burden the parties with expanded reporting requirements.[11]

South Central Bell responds that it has complied with the Commission's decision of May 6, 1991 and moves that AT&T's motion be denied. Specifically, South Central Bell avows that customer

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8 Administrative Case No. 323, Phase I, Order dated May 6, 1991, page 26, emphasis added here and by AT&T in its citation at page 2 of its motion. Of course, the coalition plan referred to in the citation is the Joint Motion of a Coalition of Local Exchange Companies and Interexchange Carriers filed in this case on March 10, 1989 and supplemented on July 2, 1990. The Joint Motion, both as originally filed and later supplemented, was attached to and incorporated in the Commission's decision of May 6, 1991.

9 Administrative Case No. 311, Investigation of InterLATA Carrier Billed Minutes of Use as a ULAS Allocator.

10 Motion of AT&T to Require SCB to Comply With the Commission's May 6, 1991 Order, pages 2-3.

11 Id., pages 3-4.

billed minutes of use have always been reported by interLATA carriers and used to adjust terminating switched access minutes of use, both in the instant tariff filing and in the ULAS tariff which it supercedes.[12] For comparison, the ULAS tariff states:

> The monthly charge applicable to each ILC[13] is determined through the allocation process based on intrastate terminating minutes of use. The steps required to determine this allocation are as follows.
>
> The following quantities reported by the ILC's will be utilized to compute the allocation.
>
> M1 = terminating intrastate premium switched access minutes.
>
> M2 = terminating total Kentucky non-premium switched access minutes.
>
> M3 = originating intrastate premium switched access minutes.
>
> M4 = originating total Kentucky non-premium switched access minutes.
>
> M5 = intrastate interLATA customer billed minutes.
>
> M6 = intrastate intraLATA customer billed minutes.
>
> P = percent interstate usage (PIU), fractional form.[14]

As with the instant tariff filing, the ULAS tariff also describes the calculation of the revenue allocation. However, it does not specify that the allocation will be based on the larger of terminating switched access minutes of use and customer billed minutes of use.[15]

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12 Response of South Central Bell, page 1.

13 InterLATA Carrier.

14 South Central Bell, Tariff PSC Kentucky No. 2J, Universal Local Access Service Tariff, Section J4, Rates and Charges, second revised page 2.

15 Id., Section J4.2.D and J4.2.E.

South Central Bell explains that its tariff filing changed the term "ILC" to "carriers" to reflect the fact that parties other than interLATA carriers will be subject to the tariff; deleted the reporting requirements of M2, M3, and M4 as no longer needed; and combined reporting requirements of M5 and M6 into the new M2, customer billed minutes of use.[16]

South Central Bell is critical of AT&T for implying that it does not currently report terminating switched access minutes of use and that it does not understand the meaning of customer billed minutes of use, when both are now and would continue to be reported by AT&T.[17] South Central Bell admits that it has incorporated billed minutes of use into the non-traffic sensitive revenue requirement allocation process, on the grounds that the Commission's decision of May 6, 1991 did not expressly forbid it and because it is necessary to ensure an equitable allocation of the revenue requirement among interexchange carriers.[18] On the latter point, South Central Bell contends that significant bypass of terminating switched access occurs with existing technology and that developing technology will provide more opportunities for such bypass.

As a result, any given interexchange carriers' terminating switched access minutes of use could decrease, thereby increasing

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16 Response of South Central Bell, page 2.

17 Id., page 3.

18 Id., pages 3-4.

the share of non-traffic sensitive revenue requirement that would be allocated to other interexchange carriers. At the same time, as terminating switched access charges are avoided through bypass alternatives, any given local exchange carriers' non-traffic sensitive revenue requirement would increase. According to South Central Bell, this outcome would lead to upward pressure on local rates, which is contrary to a stated objective of the Joint Motion filed in this case.

The Joint Motion allows the local exchange carriers two options for the billing of non-traffic sensitive revenue requirement to interexchange carriers: the revenue requirement can be allocated among interexchange carriers based on the ratio of each interexchange carrier's usage to the total of terminating switched access minutes of use or it can be billed per terminating switched access minute of use.[19] Based on rate calculations contained in the price-outs, most local exchange carriers have opted to bill the revenue requirement per minute of use. Contel, GTE South, and South Central Bell have opted to allocate it. Apparently, Contel and GTE South intend to use information from their carrier access billing systems as a basis for their allocations.[20] South Central Bell intends to continue the practice of interexchange carrier reporting as it existed in the

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19 Joint Motion of a Coalition of Local Exchange Companies and Interexchange Carriers, Appendix B.

20 See Contel, Tariff PSC Kentucky, Access Service, Section 3, Carrier Common Line Access Service, original pages 12-13; and GTE South, Tariff PSC Kentucky No. 6, Facilities for Intrastate Access, Section 12, Carrier Common Line Service, second revised pages 7-8.

ULAS environment. This approach may prove to be unworkable in the new environment, given the expanded universe of interexchange carriers that must report terminating switched access minutes of use. Only South Central Bell has included any provision relative to customer billed minutes of use.

The Commission finds that local exchange carriers that choose to allocate non-traffic sensitive revenue requirement can require interexchange carrier reporting of intrastate terminating switched access minutes of use or rely upon their carrier access billing systems for the information. Moreover, local exchange carriers that choose to rely upon interexchange carrier reporting can additionally require the reporting of intrastate customer billed minutes of use. While the use of information from carrier access billing systems would be more efficient than interexchange carrier reporting and sufficient to accomplish necessary allocations of non-traffic sensitive revenue requirement, carrier access billing systems do not include specific information on customer billed minutes of use.

As South Central Bell points out, such information can be a valuable cross-check on terminating switched access minutes of use. Due to differing rounding conventions that apply to access minutes measurement and customer billing, customer billed minutes of use should slightly exceed terminating switched access minutes of use. However, any statistically significant difference would be clear indication of terminating access bypass. Such bypass could unfairly skew allocations of non-traffic sensitive revenue requirement.

The above notwithstanding, the standard for allocation of non-traffic sensitive revenue requirement will remain as articulated in Administrative Case No. 311: intrastate terminating switched access minutes of use. However, at any time that South Central Bell or another local exchange carrier observes a statistically significant variation between terminating switched access minutes of use and customer billed minutes of use, that carrier should so advise the Commission and is encouraged to petition the Commission for a change in allocation methodology.

The Tariff Filings

No comments concerning the tariff filings have been received beyond those contained in AT&T's motion and South Central Bell's response. This is somewhat surprising given the stakes involved and the past highly active participation of several of the parties to this investigation. Accordingly, it may be taken as an indication of no compelling or egregious problems with the proposed rates, charges and terms and conditions of service, at least as they apply to interexchange carriers. The potential impact on end-users is another matter. In any event, the Commission will approve the tariff filings largely as originally filed and later supplemented.

Cincinnati Bell's access services tariff filing is limited to revisions to its carrier common line rate regulations and rates and charges. These revisions implement the non-traffic sensitive revenue requirement recovery mechanism contained in the Joint Motion and ordered in the Commission's decision of May 6, 1991, and should be approved subject to the following.

The Joint Motion requires that local exchange carriers mirror the traffic sensitive and special access rates contained in their interstate access services tariffs at the starting point of intraLATA competition, with the exception of Cincinnati Bell. The terms of the Joint Motion do not require Cincinnati Bell to mirror its interstate traffic sensitive and special access rates.[21] Arguably, they give Cincinnati Bell the option of mirroring. Evidently, Cincinnati Bell has decided not to mirror, given that its last general intrastate access services tariff filing was in 1988.[22] Since the Joint Motion is revenue neutral at the starting point, the Commission suggests that Cincinnati Bell reconsider its decision. It is also not clear whether its price-out includes originating switched access minutes of use to which terminating carrier common line rates apply. This is required based on the Commission's decision of September 29, 1988 in Administrative Case No. 311. Cincinnati Bell should refile its price-out and clarify that it meets all requirements in Administrative Case No. 311.

Although separate, the access services tariff filings of Contel and GTE South, now sister companies under common ownership,[23] are obviously coordinated and generally similar in

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21 Joint Motion of a Coalition of Local Exchange Companies and Interexchange Carriers, Appendix A.

22 See Order dated December 9, 1987 in Case No. 8838, Phase IV, An Investigation of Toll and Access Charge Pricing and Toll Settlement Agreements for Telephone Utilities Pursuant to Changes to be Effective January 1, 1984.

23 See Case No. 90-278, Joint Application of GTE Corporation and Contel Corporation for Order Authorizing Transfer of Utility Control.

format and content. However, specific rates do differ between the two companies. Both mirror their respective 1991 interstate traffic sensitive and special access rates. Billing and collection charges are unchanged in the case of Contel and changed in the case of GTE South. Also, carrier common line charges and the new non-traffic sensitive revenue requirement recovery mechanism are state specific. Special access rates and charges and terms and conditions of service replace existing intraLATA interexchange private line services, as neither company proposes to continue concurrence with the interexchange portion of South Central Bell's private line services tariff. The special access tariff will apply to both interexchange carriers and end-users subscribing to interexchange services.

Contel proposes certain changes to its general exchange tariff and GTE South proposes similar changes to its general customer services tariff, both including the addition of rates and charges and terms and conditions of service applicable to wide area telecommunications service. Apparently, neither company proposes to continue concurrence with South Central Bell's wide area telecommunications service tariff. However, rates are the same, except for the addition of rate elements associated with intraLATA 800 service terminating on an exchange access line.

These tariff filings will result in rate increases and decreases to end-users. In addition to the general effects of mirroring, this occurs due to application of special access rates to end-users, the application of switched and special access rates to foreign exchange service, and the application of special access rates to wide area telecommunications service. The record does not clearly indicate the extent of the impact on end-users due to the aggregated nature of the price-outs and the revenue shifts occurring between rate categories.[24] Even though the price-outs do not show class of customer breakdowns, at least in the area of foreign exchange service, the impact of changes in rate application could result in substantial increases.[25]

Among the changes Contel and GTE South propose are the application of Feature Group A access charges (local switching and information surcharge) to the open end of foreign exchange service and the application of special access charges (circuit mileage and circuit termination) to the closed end of foreign exchange service.[26] This is similar to a change approved for AT&T in Case

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24 In the aggregate, not including carrier common line or ULAS revenues, Contel shows a net revenue decrease to intraLATA switched access services of $651,000 and a net revenue decrease of $23,000 to intraLATA private line, foreign exchange, wide area, and special access services. GTE South shows a net revenue decrease to intraLATA switched access services of $3,460,000 and a net revenue increase of $963,000 to intraLATA private line, foreign exchange, wide area, and special access services. See Contel's price-out, Exhibit C and GTE South's price-out, Exhibit 2, page 1.

25 The revenue changes shown for intraLATA non-premium end office switching may give a reasonable approximation. There, GTE South shows a revenue increase of $4,954,000. Additionally, GTE South shows a revenue increase of $380,000 for intraLATA foreign exchange special transport and a revenue increase of $92,000 for intraLATA foreign exchange special access line. See GTE South's price-out, Exhibit 2, pages 3 and 15.

26 Contel, Tariff PSC Kentucky No. 3, General Exchange Tariff, Section 9, Foreign Exchange Service, ninth revised page 2 and GTE South, Tariff PSC Kentucky No. 1, General Customer Services Tariff, Section S9, Foreign Exchange Service and Foreign Central Office Service, first revised page 2.

No. 89-168[27] that generated considerable controversy due to the substantial impact on end-users. The Commission's decision on this change is discussed below, as another tariff filing raises the same issue.

GTE South's price-out and tariff pages indicate changes to billing and collection services rates. This is contrary to the provisions of the Joint Motion, which is perhaps flawed in this regard.

An underlying tenet of the Joint Motion is that rates for access services will apply equally to all interexchange carriers, both interLATA and intraLATA. In the case of traffic sensitive and special access rates, the Joint Motion accomplishes parity by requiring the mirroring of interstate rates for access services. However, in the case of billing and collection services, the Joint Motion specifies that "existing rates and quantities" will be used to calculate revenue starting points. As a result, no revenue changes associated with billing and collection services should flow to non-traffic sensitive revenue requirement. GTE South should revise its calculations consistent with the terms of the Joint Motion. The same is true relative to its treatment of intraLATA network compensation.

The above stipulation in the Joint Motion fails to recognize that interLATA and intraLATA rates for billing and collection services are different. The logic of the Joint Motion suggests that rate parity between these market arenas is just as desirable

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27 Case No. 89-168, Proposed Restructure and Repricing of AT&T's Channel Services Tariff.

in the area of billing and collection services as it is in the areas of switched and special access services. Apparently, GTE South adopted that logic and the Commission supports it. In the future, the Commission will allow GTE South and the other local exchange carriers to mirror their rates for interstate billing and collection services on an intrastate basis. However, each local exchange carrier must weigh the revenue consequences and act accordingly. In any event, the Commission expects a transition toward rate parity through future rate cases and/or access services tariff filings.

Contel and GTE South propose rates and charges and terms and conditions of service applicable to wide area telecommunications service. The purpose of these proposals is unclear and appears to be beyond the scope of this investigation. Absent a showing that these proposals are a necessary adjunct to their access services tariff filings, they should be denied without prejudice and refiled on their own merits at a later time.

As with Cincinnati Bell, it is not clear whether the price-outs filed by Contel and GTE South include originating switched access minutes of use to which terminating carrier common line charges apply, as required by the Commission's decision in Administrative Case No. 311. In the case of GTE South's price-out, it is not clear whether residual disbursements from the intraLATA pool are included. Residual disbursements should be included and are considered as non-traffic sensitive payments. Contel and GTE South should refile their price-outs and non-traffic sensitive revenue requirement calculations to correct these apparent errors and omissions.

Duo County Telephone's access services tariff filing mirrors the National Exchange Carrier Association's 1991 interstate access services tariff for traffic sensitive and special access rates. Billing and collection services are unchanged. Carrier common line charges and the new non-traffic sensitive revenue requirement recovery mechanism are state specific. These modifications are consistent with requirements delineated in the Joint Motion and decision of June 17, 1991.

Subsequent to its original filing, Duo County Telephone filed corrected tariff pages to clarify the definition of terminating switched access minutes of use.[28] Corrected price-outs were also filed to include originating switched access minutes of use to which terminating carrier common line rates apply. The Commission finds that these corrections are reasonable and would have been otherwise ordered consistent with the requirements outlined in Administrative Case No. 311.

Duo County Telephone admits in its original tariff transmittal letter that "these tariffs will result in customer billing changes for intraLATA private line and foreign exchange customers."[29] In addition to the general effects of mirroring, this is the result of two basic changes. First, Duo County Telephone proposes to discontinue concurrence with the

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[28] Cf. CH&A transmittal letter filed on October 22, 1991.

[29] Transmittal letter filed August 15, 1991.

interexchange portion of South Central Bell's private line services tariff. Instead, it will bill its private line customers from its special access services tariff, including the application of special local access and transport charges to wide area telecommunications service subscribers.[30] Second, Feature Group A access charges will apply to the open end of foreign exchange service and special access charges will apply to the closed end of foreign exchange service.[31]

As with Contel and GTE South, the record does not clearly indicate the extent of the impact on end-users due to the aggregate nature of the price-outs and the revenue shifts occurring between rate categories. However, at least in the area of foreign exchange service, the impact of changes in rate application could result in substantial increases. The total revenue impact may not be as great as with Contel and GTE South, because Duo County Telephone and the other issuing carriers do not generally provide extensive foreign exchange service.

The Commission has approved changes in the application of rates to foreign exchange service like those proposed by Contel, GTE South, and Duo County Telephone in Case No. 89-168, which involved a restructuring and repricing of AT&T's channel or private line services tariff. In that case, the Commission approved a change in mileage measurement from the distance between

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30 Duo County Telephone, Tariff PSC Kentucky No. 2A, Access Service, Section 7, Special Access Service, original page 7-1.

31 Id., Section 6, Switched Access Service, original page 6-48.

local exchange carrier designated rate centers to the distance between AT&T points of presence. This resulted in some unexpected anomalies where a customer's foreign exchange service crossed a LATA boundary and either or both ends of the customer's foreign exchange service was located far from a point of presence. These anomalies exacerbated the impact of changes in rate application in certain areas of the Commonwealth.

The proposals of Contel, GTE South, and Duo County do not involve a change in mileage measurement. As currently proposed, mileage charges would apply based on airline distance between designated locations, generally serving wire centers.[32] This distinguishes their proposals from AT&T's. Also, local exchange carriers provide end-to-end foreign exchange service only on an intraLATA basis and have no control over the location of points of presence involved in the provision of interLATA foreign exchange service.

There are clear administrative advantages to aligning interstate and intrastate access services tariffs for both local exchange and interexchange carriers. Furthermore, since the cost of a switched access minute or a special access circuit in the interstate jurisdiction should not be significantly different from

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[32] Contel, Tariff PSC Kentucky, Access Service, Section 6, Switched Access Service, original page 59, and Section 7, Special Access Service, original page 12; GTE South, Tariff PSC Kentucky No. 6, Facilities for Intrastate Access, Section 4, Switched Access Service, first revised pages 84-85, and Section 5, Special Access, third revised page 45; and Duo County Telephone, Tariff PSC Kentucky No. 2A, Access Service, Section 6, Switched Access Service, original page 6-40, and Section 7, Special Access Service, original page 7-22.

the intrastate jurisdiction, the Commission can make a determination as to the reasonableness of rates without duplicating extensive cost-of-service analyses. Thus, in some measure, the impact of the proposed changes on end-users could be seen as an unfortunate but incidental consequence of aligning interstate and intrastate access services tariffs. Nonetheles, the Commission is compelled to minimize the impact in order for the proposed rates, charges, and terms and conditions of service to be found reasonable.

Generally, access services tariffs provide that Feature Group A usage can be measured or assumed, depending on end office measurement capabilities. For example, Duo County Telephone's access services tariff provides that:

> Customer Feature Group A traffic to end offices will be measured (i.e., recorded) or assumed by the Telephone Company at end office switches. Originating and terminating calls will be measured (i.e., recorded) or assumed by the Telephone Company to determine the basis for computing chargeable access minutes.[33]

It also provides that "Assumed minutes are used for Feature Group A services which originate or terminate in end offices not equipped with measurement capabilities and in such cases are the

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33 Duo County Telephone, Tariff PSC Kentucky No. 2A, Access Service, Section 6, Switched Access Service, original page 6-53, acronyms omitted.

chargeable access minutes."[34] The assumed minutes to be used as chargeable minutes are specified elsewhere in the tariff.[35] Although the actual assumed minutes of use are different, Contel's and GTE South's access services tariffs contain similar provisions.[36]

The Commission finds that Contel, Duo County Telephone, and GTE South should use assumed minutes of use in cases involving foreign exchange service, at least as a transitional measure. Furthermore, assumed minutes of use should be used in the determination of both local switching and local transport charges. This will permit these carriers to maintain the tariff structures they have proposed while placing a cap on usage charges that end-users will experience. Also, it will prevent unfair situations arising where one foreign exchange service subscriber is billed based on measured usage while another is billed based on assumed usage, solely as a function of the technology available in serving end offices. Otherwise, these access services tariff filings should be approved.

South Central Bell's access service tariff filing consists of revising and renaming its ULAS tariff to implement the non-traffic sensitive revenue requirement recovery mechanism authorized by the

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34 Id., original page 6.55, acronyms omitted.

35 Id., Section 17, Rates and Charges, original page 17-6.

36 Contel, Tariff PSC Kentucky, Access Service, Section 6, Switched Access Service, original pages 74 and 87 and GTE South, Tariff PSC Kentucky No. 6, Facilities for Intrastate Access, Section 4, Switched Access, first revised pages 87-88, 90-91, and 98.

Commission's decision of May 6, 1991. Coincident with that and like all the other tariff filings, carrier common line charges are reduced to zero. The tariff filing also changes switched access and miscellaneous rates to mirror South Central Bell's 1991 interstate access services tariff. Based on the Commission's decision of June 17, 1991, South Central Bell is not required to mirror its interstate special access rates.

The Commission has reviewed South Central Bell's access services tariff filing and finds that it should be approved as filed.

The Settlement Agreement

South Central Bell filed a revised intraLATA toll settlement agreement and memorandum of understanding on behalf of all local exchange carriers, except Cincinnati Bell. Unlike all other local exchange carriers, Cincinnati Bell is not affiliated with any LATA and has not participated in the existing intraLATA pooling arrangement.

First and foremost, the proposed settlement plan eliminates the existing intraLATA pooling arrangement.[37] In place of the pool, it creates two categories of companies: category A and category B. A category A company is defined as one that provides the tandem switching function necessary to the provision of intraLATA toll on both an intracompany and intercompany basis. A

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[37] The following description of the proposed settlement agreement is based on South Central Bell's tariff transmittal, Exhibit C, Basis of Compensation, IntraLATA Switched Toll Services Annex and Addendum 1, Memorandum of Understanding.

category B company is defined as one that subtends the category A company and does not provide a tandem switching function on an intercompany basis, but may provide it among its own exchanges on an intracompany basis. To simplify the following, it is the Commission's assumption and general understanding that South Central Bell will be the only category A company in the Commonwealth. At least initially, all other local exchange carriers will be category B companies.

Under the terms of the proposed settlement agreement, South Central Bell will receive all revenues from its toll services and all revenues billed by the other local exchange carriers under South Central Bell's toll tariffs. Revenues are defined as amounts chargeable to and collected from customers for intraLATA switched toll services provided exclusively by local exchange carriers under common tariffs, including but not limited to message telecommunications service, wide area telecommunication service, optional calling plans, long distance directory and operator assistance, and official toll. The other local exchange carriers will not be responsible for uncollectibles or fraud, but are obligated to make diligent efforts to collect intraLATA switched toll revenues billable to their customers. Toll revenue payments from the other local exchange carriers to South Central Bell will be computed and executed on a monthly basis as detailed in the agreement.

In turn, the other local exchange carriers will be paid based on their respective rates for access functions provided to South Central Bell, including switched and special access services, billing and collection services, and non-traffic sensitive revenue requirement recovery. Access functions are defined as services performed and necessary to the provision of intraLATA switched toll services. Primarily, access functions will involve local transport, end office switching, and billing and collection services. For purposes of rate application, the proposed settlement agreement assumes Feature Group C access service and that a point of presence exists at the end office side of each toll tandem switch for each end office served by the switch. Where local transport is jointly provided, the other local exchange carriers will receive compensation based on a percentage of the total transport charges calculated for each such end office. Again, payments from South Central Bell to the other local exchange carriers will be computed and executed on a monthly basis as detailed in the agreement.

The proposed settlement agreement allows the other local exchange carriers to complete intracompany toll calls instead of routing them to a toll tandem switch. In such cases, South Central Bell will compensate the given local exchange carrier for intracompany network functions based on a per minute charge for toll switching computed from cost data furnished to the National Exchange Carrier Association or its own per minute toll switching cost, as agreed in settlement stipulations. The compensation rate for intracompany network functions cannot be changed, except by mutual agreement. An intracompany network function is defined as a service that is not an access service but is performed and necessary to the provision of intraLATA switched toll services.

The proposed settlement agreement is intended to become operative with the implementation of the Commission's decision of May 6, 1991 and terminate at such time as intraLATA facilities based competition and "1+" presubscription are in place.

The Commission has reviewed the proposed intraLATA toll settlement agreement, known as the Kentucky Restructured Settlement Plan, and attached memorandum of understanding, and finds that it should be conditionally approved. First, other than South Central Bell, any local exchange carrier that decides to exercise the option of becoming a category A carrier must seek prior Commission approval. In the event of such requests, changes in market relationships and revenue requirement consequences will be of particular but not exclusive interest. In the area of market relationships, the focus of interest will be the effect on end-users and interactions between the applicant and other carriers, both interexchange and local exchange. In the area of revenue requirements, the focus of interest will be the revenue impact on both the applicant and the other local exchange carriers, including South Central Bell, as well as the impact on the applicant's operating expenses. Second, the Commission expects a transition toward rate parity for interLATA and intraLATA billing and collection services, supra. The local exchange carriers should devise a plan for such a transition and advise the Commission by way of implementing tariff filings or a further addendum to the Kentucky Restructured Settlement Plan. Third, compensation rates for intracompany network functions should be filed with the Commission under appropriate tariff or as a further addendum to the Kentucky Restructured Settlement Plan, and are subject to the Commission's approval. Anticipated intracompany network functions and associated compensation rates should be clearly identified and described, and compensation rates should not exceed rates for comparable access services.

In conjunction with the revenue neutral nature of the tariff filings and initiation of intraLATA competition, this agreement provides a reasonable transition from the pooling environment to an environment where South Central Bell assumes an access relationship with the other local exchange carriers that is essentially the same as their access relationship with the other interexchange carriers.

Rate and Revenue Changes

The following is based on analysis of the price-outs and non-traffic sensitive revenue requirement calculations filed by the local exchange companies. The results are subject to any revisions that may be made subsequent to this decision and are summarized in attachments to this decision.

Generally, rates increase where local exchange carriers have mirrored the access services tariff of the National Exchange Carrier Association. Specifically, this is the case with Duo County Telephone and the other issuing carriers involved with its tariff filing. In each instance, intrastate switched access revenues increase. In the area of intrastate special access, the results are more mixed, with some companies showing revenue increases and others showing revenue decreases. This outcome is primarily a function of each company's vulnerability to changes in rate application for intraLATA interexchange private line service, foreign exchange service, and wide area telecommunications service. It is also a function of each company's vulnerability to changes in intraLATA settlement arrangements for private line and wide area telecommunications services.

Generally, rates decrease where local exchange carriers have mirrored company-specific interstate access services tariffs. This is the case with Contel, GTE South, and South Central Bell. In each instance, intrastate switched access revenues decrease. Intrastate special access revenues increase for Contel and decrease for GTE South and South Central Bell. For South Central Bell the decrease is not a function of rate changes, but a function of changes in intraLATA settlement arrangements for wide area telecommunications services. Switched and special access revenues are unchanged in the case of Cincinnati Bell, supra.

In the aggregate, intrastate switched access revenues change from $77,002,000 to $55,671,000 or a decrease of $21,331,000. Intrastate special access revenues, including intraLATA private line, foreign exchange, and wide area telecommunications services, change from $16,622,000 to $14,953,000, or a decrease of $1,670,000. The total revenue decrease is $23,001,000. Since the Joint Motion is revenue neutral at the starting point, the difference between existing and proposed switched and special access revenues is shifted to the non-traffic sensitive category.

Net of adjustments,[38] intrastate non-traffic sensitive revenue requirements change from $102,729,393 to $125,730,000, an increase of $23,001,000.[39] Cincinnati Bell adds $4,918,000 to the increase in non-traffic sensitive revenue requirements.

<u>The Non-Traffic Sensitive Revenue Requirement Shift</u>

The following is based on analysis of the price-outs and non-traffic sensitive revenue requirement calculations filed by the local exchange carriers. While numbers may change as a result of corrections based on this decision, the fundamentals of the analysis will not change. Cincinnati Bell is not included in the analysis, as it is designed to capture the impact of a non-traffic sensitive revenue requirement shift from the former intraLATA pool

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38 In this analysis, GTE South's repriced non-traffic sensitive revenue requirement was adjusted to remove the effect of revenue changes associated with billing and collection services and intraLATA network compensation. South Central Bell's 1990 non-traffic sensitive revenue requirement was adjusted to include the effect of revenue changes associated with billing and collection services and intraLATA pool settlement adjustments. In GTE South's case, the revenue change to billing and collection services resulted from rate changes. In South Central Bell's case, the revenue change resulted from increased demand related to intraLATA wide area telecommunications service. The pool settlement adjustments reflect items that will not recur. In both cases, the net effect of the adjustments is reduced non-traffic sensitive revenue requirement.

39 These amounts reflect 1990 price-outs, which is the "base period" under the terms of the Joint Motion. However, the Joint Motion allows and South Central Bell excised the option to forecast non-traffic sensitive revenue requirement. South Central Bell reported a 1990 non-traffic sensitive revenue requirement of $81,711,000 and a 1991 non-traffic sensitive revenue requirement of $83,620,000. The 1991 value is not used here because this analysis is designed to capture implementation effects at the starting point of intraLATA competition on a common price-out basis.

to interexchange carriers. The results are summarized in the attachments.

For all practical purposes, the non-traffic sensitive revenue requirement shift went unnoticed and unaddressed by the parties. In any event, it is before the Commission as a result of the access services tariffs and price-outs that have been filed.

Several factors interact to produce this phenomenon. First, as a result of the Joint Motion, switched and special access, and non-traffic sensitive rates will apply equally to all users of access services, both interLATA and intraLATA. Second, as a result of mirroring interstate access services tariffs and the mechanics of the Joint Motion, on an aggregate intrastate basis, switched and special access rates and revenues decrease and non-traffic sensitive rates and revenues increase by a corresponding amount. However, the shifts between revenue categories are more dramatic from an intraLATA perspective, because intraLATA pool settlement rates were higher than interLATA and interstate access services rates. For example, interLATA switched access revenues decrease by $9,271,000 and intraLATA switched access revenues decrease by $12,060,000. InterLATA special access revenues increase by $260,000 and intraLATA special access revenues, including private line, foreign exchange, and wide area telecommunications services, decrease by $1,929,000. Third, switched access charges will follow usage as it exists at the starting point. Likewise, special access charges will follow facilities as they are installed at the starting point. A reallocation of non-traffic sensitive revenue requirement will occur at the starting point.

According to the price-outs, interLATA non-traffic sensitive revenue requirement changes from $35,651,000 to $44,662,000, an increase of $9,011,000. IntraLATA non-traffic sensitive revenue requirement changes from $67,079,000 to $81,069,000, an increase of $13,990,000. However, this does not mean that AT&T and the other current interLATA carriers will be responsible for the interLATA portion or that South Central Bell will be responsible for the intraLATA portion in any absolute sense. Such an approach would require the reintroduction of unequal rates. Instead, responsibility will follow relative terminating switched access minutes of use based on rates that are equal. This is consistent with the Commission's decision in Administrative Case No. 311 and the Joint Motion filed in this case. The result would be the same whether local exchange carriers intend to bill non-traffic sensitive revenue requirements per terminating access minute of use or allocate it among interexchange carriers based on relative terminating access minutes of use.

Net of adjustments,[40] intrastate non-traffic sensitive revenue requirement is $125,730,000. Repriced intraLATA non-traffic sensitive revenue requirement is $81,069,000. However, based on jurisdictional ratios of terminating switched access minutes of use reported by the local exchange carriers,

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40 See footnote 38.

only $71,252,000 is attributable to the intraLATA market for recovery purposes. At the starting point, then, South Central Bell will experience a reduction in non-traffic sensitive payments of $9,817,000. The same result would apply to a continued intraLATA pool partnership. Inversely, repriced interLATA non-traffic sensitive revenue requirement is $44,661,000. However, $54,478,000 is attributable to the interLATA market for recovery purposes. As a result, at the starting point, interexchange carriers will experience an increase in non-traffic sensitive payments of $9,817,000.

In Case No. 90-256, Phase I,[41] the Commission approved a continuation of South Central Bell's incentive regulation plan. With no corrective action, South Central Bell would experience a revenue windfall resulting from regulatory action rather than management efficiency that would flow through the incentive regulation plan and be shared by stockholders and ratepayers. This outcome is neither equitable nor in keeping with the principles of the incentive regulation plan. Therefore, the Commission will require that the entire amount be targeted to rate reductions in Case No. 90-256 Phase II.

ORDERS

Having considered the evidence of record and being otherwise sufficiently advised, the Commission HEREBY ORDERS that:

1. The motion of AT&T is denied.

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[41] Case No. 90-256, Phase I, A Review of the Rates and Charges and Incentive Regulation Plan of South Central Bell Telephone Company, Order dated April 3, 1991.

2. The access services tariff filing of Cincinnati Bell is approved, subject to the conditions recited.

3. The access services tariff filing of Contel is approved, subject to the conditions recited.

4. The access services tariff filing of Duo County Telephone is approved, subject to the conditions recited.

5. The access services tariff filing of GTE South is approved, subject to the conditions recited.

6. The access services tariff filing of South Central Bell is approved, subject to the conditions recited.

7. All access services tariffs approved shall be filed on or before February 3, 1992 with a scheduled effective date of March 3, 1992 and with all required revised price-outs, revised non-traffic sensitive revenue requirement calculations, and clarifications.

8. The Kentucky Restructured Settlement Plan is approved, effective March 3, 1992 and subject to the conditions recited. All required supplemental information pertaining to the plan shall be filed on February 3, 1992.

9. South Central Bell shall reduce rates in the amount of $9,817,000 as prescribed in Case No. 90-256.

Done at Frankfort, Kentucky, this 23rd day of January, 1992.

PUBLIC SERVICE COMMISSION

Chairman

Vice Chairman

Commissioner

ATTEST:

Executive Director

Intrastate Switched Access Revenue Changes

Company	1990 Switched Access Revenue	Repriced Switched Access Revenue	Switched Access Revenue Change
Alltel	$ 702,502	$ 1,350,809	$ 648,307
Ballard Rural	192,288	325,974	133,686
Brandenburg	744,101	1,274,878	530,777
Contel Kentucky	3,354,133	2,509,878	(844,255)
Duo County	423,047	642,605	219,558
Foothills Rural	437,616	819,332	381,716
GTE South	23,044,945	15,819,425	(7,225,520)
Harold	222,843	429,504	206,661
Highland	142,507	237,309	94,802
Leslie County	278,542	559,434	280,892
Lewisport	54,757	110,262	55,505
Logan	191,013	334,333	143,320
Moutain Rural	566,887	920,190	353,303
North Central	126,530	192,255	65,725
Peoples Rural	260,722	439,340	178,618
Salem	54,722	107,196	52,474
South Central Bell	44,434,327	26,896,686	(17,537,641)
South Central Rural	1,006,383	1,295,480	289,097
Thacker-Grigsby	325,915	598,292	272,377
West Kentucky Rural	438,312	807,601	369,289
Totals	$77,002,092	$55,670,783	$(21,331,309)

Source: Administrative Case No. 323 Access Services Tariffs Priceouts

Note: Includes InterLATA and IntraLATA local transport, local switching, line termination, line intercept, directory assistance, information surcharge, and miscellaneous other items of switched access service identified in the priceouts.

IntraLATA Switched Access Revenue Changes

Company	1990 Switched Access Revenue	Repriced Switched Access Revenue	Switched Access Revenue Change
Alltel	$ 535,632	$ 1,118,179	$ 582,547
Ballard Rural	143,463	262,017	118,554
Brandenburg	496,334	937,825	441,491
Contel Kentucky	2,597,018	1,945,540	(651,478)
Duo County	157,334	287,168	129,834
Foothills Rural	386,842	751,687	364,845
GTE South	11,941,326	8,481,681	(3,459,645)
Harold	197,548	394,862	197,314
Highland	97,060	178,678	81,618
Leslie County	240,452	507,109	266,657
Lewisport	42,173	92,558	50,385
Logan	144,067	269,082	125,015
Mountain Rural	471,134	794,174	323,040
North Central	28,292	61,399	33,107
Peoples Rural	215,261	383,537	168,276
Salem	46,633	96,034	49,401
South Central Bell	26,481,228	14,878,309	(11,602,919)
South Central Rural	309,980	430,967	120,987
Thacker-Grigsby	290,363	552,316	261,953
West Kentucky Rural	362,946	701,481	338,535
Totals	$45,185,086	$33,124,603	$(12,060,483)

Source: Administrative Case No. 323 Access Services Tariffs Priceouts

Note: Includes IntraLATA local transport, local switching, line termination, line intercept, directory assistance, information surcharge, and miscellaneous other items of switched access service identified in the priceouts.

InterLATA Switched Access Revenue Changes

Company	1990 Switched Access Revenue	Repriced Switched Access Revenue	Switched Access Revenue Change
Alltel	$ 166,870	$ 232,630	$ 65,760
Ballard Rural	48,825	63,957	15,132
Brandenburg	247,767	337,053	89,286
Contel Kentucky	757,115	564,338	(192,777)
Duo County	265,713	355,437	89,724
Foothills Rural	50,774	67,645	16,871
GTE South	11,103,619	7,337,744	(3,765,875)
Harold	25,295	34,642	9,347
Highland	45,447	58,631	13,184
Leslie County	38,090	52,325	14,235
Lewisport	12,584	17,704	5,120
Logan	46,946	65,251	18,305
Mountain Rural	95,753	126,016	30,263
North Central	98,238	130,856	32,618
Peoples Rural	45,461	55,803	10,342
Salem	8,089	11,162	3,073
South Central Bell	17,953,099	12,018,377	(5,934,722)
South Central Rural	696,403	864,513	168,110
Thacker-Grigsby	35,552	45,976	10,424
West Kentucky Rural	75,366	106,120	30,754
Totals	$31,817,006	$22,546,180	$(9,270,826)

Source: Administrative Case No. 323 Access Services Tariffs Priceouts

Note: Includes InterLATA local transport, local switching, line termination, line intercept, directory assistance, information surcharge, and miscellaneous other items of switched access service identified in the priceouts.

Intrastate Special Access Revenue Changes

Company	1990 Special Access Revenue	Repriced Special Access Revenue	Special Access Revenue Change
Alltel	$ 72,276	$ 75,423	$ 3,147
Ballard Rural	41,637	32,840	(8,797)
Brandenburg	163,154	162,494	(660)
Contel Kentucky	552,507	584,327	31,820
Duo County	48,896	75,341	26,445
Foothills Rural	47,699	53,666	5,967
GTE South	5,400,688	4,556,957	(843,731)
Harold	57,851	51,346	(6,505)
Highland	16,568	23,878	7,310
Leslie County	9,084	10,290	1,206
Lewisport	6,776	7,621	845
Logan	39,702	42,696	2,994
Mountain Rural	52,033	88,561	36,528
North Central	1,285	1,991	706
Peoples Rural	45,808	43,783	(2,025)
Salem	1,053	867	(186)
South Central Bell	9,863,639	8,792,330	(1,071,309)
South Central Rural	157,233	292,379	135,146
Thacker-Grigsby	25,391	28,351	2,960
West Kentucky Rural	19,024	27,604	8,580
Totals	$16,622,304	$14,952,745	$(1,669,559)

Source: Administrative Case No. 323 Access Services Tariffs Priceouts

Note: Includes IntraLATA private line, foreign exchange, and wide area telecommunications services and InterLATA special access services.

IntraLATA Special Access Revenue Changes

Company	1990 Special Access Revenue	Repriced Special Access Revenue	Special Access Revenue Change
Alltel	$ 66,971	$ 67,200	$ 229
Ballard Rural	41,637	32,840	(8,797)
Brandenburg	158,406	153,616	(4,790)
Contel Kentucky	401,059	387,647	(13,412)
Duo County	32,294	55,316	23,022
Foothills Rural	39,851	41,502	1,651
GTE South	4,329,939	3,366,845	(963,094)
Harold	51,879	42,089	(9,790)
Highland	8,135	10,807	2,672
Leslie County	6,891	6,891	0
Lewisport	5,240	5,240	0
Logan	30,977	29,172	(1,805)
Mountain Rural	40,037	65,713	25,676
North Central	0	0	0
Peoples Rural	37,444	30,819	(6,625)
Salem	1,053	867	(186)
South Central Bell	7,206,401	6,135,092	(1,071,309)
South Central Rural	77,234	168,512	91,278
Thacker-Grigsby	19,806	19,694	(112)
West Kentucky Rural	14,139	20,033	5,894
Totals	$12,569,393	$10,639,895	$(1,929,498)

Source: Administrative Case No. 323 Access Services Tariffs Priceouts

Note: Includes IntraLATA private line, foreign exchange, and wide area telecommuications services.

InterLATA Special Access Revenue Changes

Company	1990 Special Access Revenue	Repriced Special Access Revenue	Special Access Revenue Change
Alltel	$ 5,305	$ 8,223	$ 2,918
Ballard Rural	0	0	0
Brandenburg	4,748	8,878	4,130
Contel Kentucky	151,448	196,680	45,232
Duo County	16,602	20,025	3,423
Foothills Rural	7,848	12,164	4,316
GTE South	1,070,749	1,190,112	119,363
Harold	5,972	9,257	3,285
Highland	8,433	13,071	4,638
Leslie County	2,193	3,399	1,206
Lewisport	1,536	2,381	845
Logan	8,725	13,524	4,799
Mountain Rural	11,996	22,848	10,852
North Central	1,285	1,991	706
Peoples Rural	8,364	12,964	4,600
Salem	0	0	0
South Central Bell	2,657,238	2,657,238	0
South Central Rural	79,999	123,867	43,868
Thacker-Grigsby	5,585	8,657	3,072
West Kentucky Rural	4,885	7,571	2,686
Totals	$4,052,911	$4,312,850	$259,939

Source: Administrative Case No. 323 Access Services Tariffs Priceouts

Intrastate Non-Traffic Sensitive Revenue Changes

Company	1990 Non-Traffic Sensitive Revenue	Repriced Non-Traffic Sensitive Revenue	Non-Traffic Sensitive Revenue Change
Alltel	$ 1,299,156	$ 647,702	$(651,454)
Ballard Rural	428,562	303,673	(124,889)
Brandenburg	1,349,108	818,991	(530,117)
Contel Kentucky	5,721,894	6,534,328	812,434
Duo County	705,830	459,827	(246,003)
Foothills Rural	943,512	555,829	(387,683)
GTE South	22,076,734	30,145,985	8,069,251
Harold	495,013	294,857	(200,156)
Highland	325,840	223,728	(102,112)
Leslie County	745,208	463,110	(282,098)
Lewisport	117,348	61,000	(56,348)
Logan	409,204	262,890	(146,314)
Mountain Rural	1,153,793	763,962	(389,831)
North Central	218,794	152,363	(66,431)
Peoples Rural	564,656	388,063	(176,593)
Salem	123,436	71,149	(52,287)
South Central Bell	63,101,813	81,710,763	18,608,950
South Central Rural	1,297,827	873,584	(424,243)
Thacker-Grigsby	702,474	427,137	(275,337)
West Kentucky Rural	949,190	571,321	(377,869)
Totals	$102,729,393	$125,730,262	$23,000,870

Source: Administrative Case No. 323 Access Services Tariffs Priceouts

Notes: Includes InterLATA carrier common line and ULAS and IntraLATA carrier common line and residual disbursements.

GTE South's repriced non-traffic sensitive revenue is adjusted to remove the effect of changes in billing and collection services and network compensation. South Central Bell's 1990 non-traffic sensitive revenue is adjusted to reflect pool settlement adjustments that will not be recurring.

IntraLATA Non-Traffic Sensitive Revenue Changes

Company	1990 Non-Traffic Sensitive Revenue	Repriced Non-Trafffic Sensitive Revenue	Non-Traffic Sensitive Revenue Change
Alltel	$ 1,061,132	$ 478,356	$ (582,776)
Ballard Rural	378,681	268,924	(109,757)
Brandenburg	1,033,983	597,282	(436,701)
Contel Kentucky	4,434,947	5,099,836	664,889
Duo County	395,007	242,151	(152,856)
Foothills Rural	870,195	503,699	(366,496)
GTE South	12,353,899	16,776,638	4,422,739
Harold	455,814	268,290	(187,524)
Highland	275,779	191,489	(84,290)
Leslie County	692,022	425,365	(266,657)
Lewisport	104,562	54,179	(50,383)
Logan	345,389	222,179	(123,210)
Mountain Rural	1,036,460	687,744	(348,716)
North Central	116,814	83,707	(33,107)
Peoples Rural	493,497	331,846	(161,651)
Salem	113,426	64,212	(49,214)
South Central Bell	40,800,992	53,475,220	12,674,228
South Central Rural	603,354	391,089	(212,265)
Thacker-Grigsby	657,115	395,274	(261,841)
West Kentucky Rural	855,687	511,258	(344,429)
Totals	$67,078,755	$81,068,738	$13,989,983

Source: Administrative Case No. 323 Access Services Tariffs Priceouts

Notes: Includes IntraLATA carrier common line and residual disbursements.

GTE South's repriced non-traffic sensitive revenue is adjusted to remove the effect of changes in billing and collection services and network compensation. South Central Bell's 1990 non-traffic sensitive revenue is adjusted to reflect pool settlement adjustments that will not be recurring.

InterLATA Non-Traffic Sensitive Revenue Changes

Company	1990 Non-Traffic Sensitive Revenue	Repriced Non-Traffic Sensitive Revenue	Non-Traffic Sensitive Revenue Change
Alltel	$ 238,024	$ 169,346	$ (68,678)
Ballard Rural	49,881	34,749	(15,132)
Brandenburg	315,125	221,709	(93,416)
Contel Kentucky	1,286,947	1,434,492	147,545
Duo County	310,823	217,676	(93,147)
Foothills Rural	73,317	52,130	(21,187)
GTE South	9,722,835	13,369,347	3,646,512
Harold	39,199	26,567	(12,632)
Highland	50,061	32,239	(17,822)
Leslie County	53,186	37,745	(15,441)
Lewisport	12,786	6,821	(5,965)
Logan	63,815	40,711	(23,104)
Mountain Rural	117,333	76,218	(41,115)
North Central	101,980	68,656	(33,324)
Peoples Rural	71,159	56,217	(14,942)
Salem	10,010	6,937	(3,073)
South Central Bell	22,300,821	28,235,543	5,934,722
South Central Rural	694,473	482,495	(211,978)
Thacker-Grigsby	45,359	31,863	(13,496)
West Kentucky Rural	93,503	60,063	(33,440)
Totals	$35,650,637	$44,661,524	$9,010,887

Source: Administrative Case No. 323 Access Services Tariff Priceouts

Notes: Includes InterLATA carrier common line and ULAS.

GTE South's repriced non-traffic sensitive revenue is adjusted to remove the effect of changes to billing and collection services.

Intrastate Terminating Minutes of Use

Company	IntraLATA Terminating MOUs	InterLATA Terminating MOUs	Total State MOUs	Percent IntraLATA	Percent InterLATA
Alltel Kentucky	10,352,475	2,733,917	13,086,392	79.11	20.89
Ballard Rural	2,101,802	931,518	3,033,320	69.29	30.71
Brandenburg	8,917,294	4,881,348	13,798,642	64.62	35.38
Cincinnati Bell	17,160,864	42,619,724	59,780,588	28.71	71.29
Contel Kentucky	42,442,476	14,091,458	56,533,934	75.07	24.93
Duo County	2,866,852	3,778,181	6,645,033	43.14	56.86
Foothills Rural	6,766,829	1,258,380	8,025,209	84.32	15.68
GTE South	159,873,987	136,525,221	296,399,208	53.94	46.06
Harold	3,727,909	623,438	4,351,347	85.67	14.33
Highland	1,647,912	827,073	2,474,985	66.58	33.42
Leslie County	4,385,839	615,346	5,001,185	87.70	12.30
Lewisport	828,555	220,111	1,048,666	79.01	20.99
Logan	2,603,709	839,495	3,443,204	75.61	24.39
Mountain Rural	6,806,311	1,371,064	8,177,375	83.23	16.77
North Central	566,091	1,216,600	1,782,691	31.75	68.25
Peoples Rural	3,385,258	1,246,917	4,632,175	73.08	26.92
Salem	826,554	162,262	988,816	83.59	16.41
South Central Bell	346,318,572	282,857,971	629,176,543	55.04	44.96
South Central Rural	4,039,594	8,516,757	12,556,351	32.17	67.83
Thacker-Grigsby	4,675,288	784,850	5,460,138	85.63	14.37
West Kentucky Rural	6,363,132	1,461,577	7,824,709	81.32	18.68
Totals	636,657,303	507,563,208	1,144,220,511	55.64	44.36

Source of MOUs: Administrative Case No.323 Access Services Tariffs Priceouts

Non-Traffic Sensitive Revenue Requirement Shift To Interexchange Carriers

Company	Total Non-Traffic Sensitive Requirement	Percent InterLATA Access Minutes	Reallocated Non-Traffic Sensitive Requirement	Repriced Non-Traffic Sensitive Requirement	Non-Traffic Sensitive Requirement Shift
Alltel	$ 647,702	20.89	$ 135,305	$ 169,346	$ (34,041)
Ballard Rural	303,673	30.71	93,258	34,749	58,509
Brandenburg	818,991	35.38	289,759	221,709	68,050
Contel Kentucky	6,534,328	24.93	1,629,008	1,434,492	194,516
Duo County	459,827	56.86	261,458	217,676	43,782
Foothills Rural	555,583	15.68	87,115	51,884	35,231
GTE South	30,145985	46.06	13,885,241	13,369,347	515,894
Harold	294,857	14.33	42,253	26,567	15,686
Highland	223,728	33.42	74,770	32,239	42,531
Leslie County	463,111	12.30	56,963	37,745	19,217
Lewisport	61,000	20.99	12,804	6,821	5,983
Logan	262,890	24.39	64,119	40,711	23,408
Mountain Rural	763,962	16.77	128,116	76,218	51,898
North Central	152,363	68.25	103,988	68,656	35,332
Peoples Rural	388,063	26.92	104,467	56,217	48,250
Salem	71,149	16.41	11,676	6,937	4,739
South Central Bell	81,710,763	44.96	36,737,159	28,235,543	8,501,616
South Central Rural	873,584	67.83	592,552	482,495	110,057
Thacker-Grigsby	427,137	14.37	61,380	31,863	29,517
West Kentucky Rural	571,321	18.68	106,723	60,063	46,660
Totals	$ 125,730,017		$ 54,478,114	$ 44,661,278	$ 9,816,835

Source of NTS Requirement: Administrative Case No. 323 Access Services Tariffs Priceouts

Non-Traffic Sensitive Revenue Requirement Shift To The IntraLATA Pool/South Central Bell

Company	Total Non-Traffic Sensitive Requirement	Percent IntraLATA Access Minutes	Reallocated Non-Traffic Sensitive Requirement	Repriced Non-Traffic Sensitive Requirement	Non-Traffic Sensitive Requirement Shift
Alltel	$ 647,702	79.11	$ 512,397	$ 478,356	$ 34,041
Ballard Rural	303,673	69.29	210,415	268,924	(58,509)
Brandenburg	818,991	64.62	529,232	597,282	(68,050)
Contel Kentucky	6,534,328	75.07	4,905,320	5,099,836	(194,516)
Duo County	459,827	43.14	198,369	242,151	(43,782)
Foothills Rural	555,583	84.32	468,468	503,699	(35,231)
GTE South	30,145,985	53.94	16,260,744	16,776,638	(515,894)
Harold	294,857	85.67	252,604	268,290	(15,686)
Highland	223,728	66.58	148,958	191,489	(42,531)
Leslie County	463,111	87.70	406,148	425,365	(19,217)
Lewisport	61,000	79.01	48,196	54,179	(5,983)
Logan	262,890	75.61	198,771	222,179	(23,408)
Mountain Rural	763,962	83.23	635,846	687,744	(51,898)
North Central	152,363	31.75	48,375	83,707	(35,332)
Peoples Rural	388,063	73.08	283,596	331,846	(48,250)
Salem	71,149	83.59	59,473	64,212	(4,739)
South Central Bell	81,710,763	55.04	44,973,604	53,475,220	(8,501,616)
South Central Rural	873,584	32.17	281,032	391,089	(110,057)
Thacker-Grigsby	427,137	85.63	365,757	395,274	(29,517)
West Kentucky Rural	571,321	81.32	464,598	511,258	(46,660)
Totals	$ 125,730,017		$ 71,251,903	$ 81,068,738	$ (9,816,835)

Source of NTS Requirement: Administrative Case No. 323 Access Services Tariffs Priceouts